

Message Text

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C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 10036

LIMDIS

C O R R E C T E D C O P Y (MRN 10036 VICE 00036)

DISTRIBUTE ONLY TO VICE PRESIDENT'S OFFICE (CLIFT)
AND EUR/CAN (ROUSE)

EO 11652: GDS
TAGS: PGEN, EGEN, CA
SUBJECT: VICE PRESIDENT'S VISIT TO CANADA

REF: STATE 285590

1. SO FAR CANADIANS HAVE LOOKED TO VICE PRESIDENT'S VISIT
AS OCCASION FOR CELEBRATION OF CANADA/US RELATIONS WITH AN
AMERICAN LEADER WITH WHOM THEY FEEL A SPECIAL AFFINITY.
WE CAN EXPECT AN EXCEPTIONALLY WARM WELCOME AND RESPONSIVE
DISCUSSIONS.

2. IF WE WANT TO MOVE CANADA/US RELATIONS INTO NEW GROUND
DURING THE VISIT, THESE ARE THE POTENTIAL AREAS:

----(A) TRADE. TOKYO ROUND OFFERS AND EXCEPTIONS ARE DUE
FOR TABLING IN GENEVA JANUARY L5. CANADIANS ARE PRESSING
US TO MAKE GREATER THAN FORMULA OFFERS ON THEIR LARGE TRADE
IN PROCESSED RAW MATERIALS. WE ARE PRESSING CANADA TO
APPLY THE INTERNATIONALLY AGREED FORMULA (WHICH IT DIDN'T
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LAST ROUND) WITH MINIMUM EXCEPTIONS, WHICH WILL GIVE US
MORE THAN PROPORTIONATE CUTS ON CANADA'S VERY HIGH MANU-
FACTURING TARIFFS. IF THESE RECIPROCAL DEMANDS ARE MET,
WE WILL HAVE A MAJOR OPPORTUNITY TO MOVE THE TWO COUNTRIES'
TRADE TOWARDS A MUCH MORE RATIONAL BASIS. VP'S VISIT
COULD BE USED FOR THIS PURPOSE BY: TELLING CANADIANS NOW
IT WILL BE A PRINCIPAL FOCUS; MEETING BILATERALLY IN DECEM-

BER TO GO OVER DESIRED STRUCTURE OF RECIPROCAL OFFERS AND EXCEPTIONS; AGREEING TO POSTPONE TABLING (AT LEAST THAT PART OF IT AFFECTING THE TWO COUNTRIES' PRINCIPAL SUPPLIER ITEMS) UNTIL END OF JANUARY 15 WEEK. TRUDEAU AND VP WOULD THEN HAVE OPTION OF ANNOUNCING AGREEMENT ON APPROACH TO TAKE IN THE NEGOTIATIONS.

----- (B) EXTRATERRITORIAL APPLICATION OF LAWS. THIS IS SINGLE MAJOR DIFFERENCE OF PRINCIPLE REMAINING IN RELATIONSHIP AND IS OF GREAT CONCERN TO TRUDEAU, WHO HAS BROUGHT IT UP TWICE WITH PRESIDENT. WE HAVE HAD SLOW-MOVING STAFF LEVEL DISCUSSIONS THAT HAVE IDENTIFIED A POSSIBLE TRADE: CANADA WOULD ASSIST US IN ACCESS TO INFORMATION IN RETURN FOR U.S. AGREEMENT TO DESIST IN CASES OF "SIGNIFICANT NATIONAL INTEREST" TO CANADA. ONE PARTICULARLY HELPFUL BACKUP TO THIS IDEA WOULD BE U.S. AGREEMENT (ALREADY GIVEN INFORMALLY TO BRITAIN) NOT TRY TO EXERCISE EXTRATERRITORIAL JURISDICTION OVER U.S. AFFILIATES IN CANADA IN THE FIRST INSTANCE, RATHER SEEKING INFORMATION THROUGH THE FEDERAL GOVERNMENT IN OTTAWA. BY FORCING THE PACE, WE MIGHT BE ABLE TO BRING THIS ISSUE TO A HEAD, SO THAT VP AND TRUDEAU COULD BLESS A CONCEPT, PERHAPS ANNOUNCE IT.

----- (C) OIL TRANSPORT. CANADA MUST DECIDE ON WHETHER IT WILL IMPORT OIL VIA EAST OR WEST COAST PORTS IN THE 1980'S;
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WE HAVE THE ALASKA AND NORTHERN TIER PROBLEMS. CANADA STILL WANTS HELP WITH OIL STORAGE IN NEWFOUNDLAND AND USE OF ATLANTIC REFINERIES. ALTHOUGH THESE ARE POLITICALLY TOUCHY ISSUES, CANADIANS MIGHT AGREE TO HAVE A BILATERAL LOOK AT THEM IN THE FRAMEWORK OF AN END-1978 DECISION ON WEST COAST OIL, WITH THE PURPOSE OF ARRIVING AT MUTUALLY COMPATIBLE SOLUTIONS. OPPORTUNITIES FOR A GLOBAL SOLUTION ARE UNCERTAIN, BUT I DON'T BELIEVE THAT WE CAN LOOK AT KITIMAT ONLY, NOW THAT NEB HAS DECIDED TO INCLUDE THE EAST COAST AS WELL.

----- (D) ECONOMIC MANAGEMENT. TRUDEAU HAS EXPRESSED INTEREST (BUT NO COMMITMENT) IN IDEA OF CLOSER ECONOMIC "COMMUNICATION" ON BOTH MACRO AND MICRO LEVEL WITH U.S. IN RECENT LETTER TO DICK COOPER, I SUGGESTED ANNUAL JOINT STRATEGY SESSION WITH SCHULTZE, PLUS EXCHANGES ON HOUSING POLICY AND CRITICAL RAW MATERIALS. BASIC IDEA WOULD BE TO BE SURE WE DON'T OVERLOOK OPPORTUNITIES FOR MUTUALLY REINFORCING ACTION. IF WE START DISCUSSIONS WITH CANADIANS NOW, THIS IS A POSSIBLE CANDIDATE FOR AGREEMENT IN JANUARY, ALTHOUGH NEITHER OF US MAY WISH TO ANNOUNCE THE ARRANGEMENT THEN.

----- (E) MARITIME BOUNDARIES. CUTLER/CADIEUX MAY NOT BE READY BY JANUARY 18, BUT WHY NOT ASK THEM TO WORK FOR SOME RESULT THAT VP AND TRUDEAU CAN ANNOUNCE?

3. CAVEAT: I DO NOT KNOW DEGREE TO WHICH CANADIANS WILL WANT TO MOVE TO NEW GROUND DURING VP'S VISIT. EACH OF THE ABOVE HAS ITS POLITICAL COSTS HERE (WE CAN ALWAYS EXPECT SOME CHARGES OF "CONTINENTALISM"). BUT THE ATMOSPHERE IS EXCEPTIONALLY FAVORABLE, AND IF YOU DECIDE TO EXPLORE THESE ITEMS, WE CAN FIND OUT QUICKLY HOW FAR THEY CAN BE TAKEN.

4. SWEETENER. WE SHOULD BE PREPARED TO ANNOUNCE HOW WE WILL DEAL WITH CONVENTION TAX DEDUCTIBILITY ISSUE (PRE-CONFIDENTIAL

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SUMABLY IN TAX REFORM PACKAGE).

5. REST OF AGENDA: ASSUME WE WILL COVER BILATERAL ENVIRONMENT AND DEFENSE ISSUES, OUR LOS DISPUTE ON DEEP SEA MINING, CANADA'S ROLE IN LATIN AMERICA, AND SELECTED WORLD ISSUES.

6. SPEECH OUTLINE. ALTHOUGH EACH OF ITS POINTS IS VALID (AND SIGNIFICANT), REFTEL OUTLINE MAKES FAR TOO MANY POINTS TO BE GRASPED BY THE AVERAGE CANADIAN TV VIEWER. I'D SUGGEST THE VP STICK TO FOUR:

----- (A) CANADA IS IMPORTANT TO U.S. AS U.S. TO CANADA.
(COMMENT: A MAIN REASON OUR RELATIONSHIP HAS IMPROVED SO MUCH IS THAT WE ARE FINALLY COMMUNICATING THIS POINT TO THIS COMPLEX-RIDDEN COUNTRY. MUCH OF THE MATERIAL IN OUTLINE PARAS I, III AND IV WORKS HERE.) CANADA ONE OF FEW GREAT DEMOCRACIES IN INCREASINGLY UNDEMOCRATIC WORLD, UNPARALLELED HUMAN RIGHTS RECORD, UNIQUE EXPERIMENT IN A COUNTRY FORMED BY TWO PEOPLES, AN IMPORTANT MORAL AS WELL AS POLITICAL AND ECONOMIC FORCE IN THE WORLD, AND OF COURSE OUR GREATEST ECONOMIC PARTNER; THIS IS WHY AMERICANS BELIEVE IN CANADIAN CONFEDERATION, WHY THEY HOPE IT WILL CONTINUE TO PROSPER, ADAPTING AS ALL SOCIETIES MUST TO MEET NEW CHALLENGES. (COMMENT: MY INSTINCT IS TO BE LESS EXPLICIT ON QUEBEC THAN YOU ARE. PRESIDENT'S STATEMENT LAST FEBRUARY DEALT WITH DANGER CANADIANS MIGHT BELIEVE US IN-CONFIDENTIAL

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DIFFERENT TO NATIONAL UNITY OUTCOME. WE MAY HAVE TO SAY THE WHOLE PIECE AGAIN SOMEDAY, BUT WE DON'T HAVE TO NOW.)

----- (B) WE'RE THE WORLD'S TWO MOST INTERDEPENDENT COUNTRIES, BUT OUR INTERDEPENDENCE WILL WORK AGAINST AND NOT FOR US UNLESS WE SAFEGUARD AND ENHANCE THE ABILITY OF EACH TO PURSUE ITS SEPARATE DESTINY. (COMMENT: CANADIAN NATIONALISM IS IN RECESSION, BUT THIS POINT IS STILL FUNDAMENTAL.) THERE CAN BE NO TRANSFER OF SOVEREIGNTY BETWEEN US, NOR ANY UNCERTAINTY AS TO ITS EXERCISE. BOTH AMERICANS AND CANADIANS WILL INSIST ON BEING ABLE TO CALCULATE THEIR SEPARATE NATIONAL INTERESTS IN EACH OF OUR AFFAIRS. BROTHERS FALL OUT IF THEY ARE NOT EVEN MORE SCRUPULOUS THAN OTHERS IN RESPECTING EACH OTHER'S RIGHTS AND PREROGATIVES.

----- (C) SOME OF THE BASIC OBJECTIVES OF EACH SOCIETY CANNOT BE ATTAINED, UNLESS WE ATTAIN THEM TOGETHER. WE CAN'T COMPLETE THE GREAT LAKES CLEANUP, NOR BEGIN TO CONTROL TWO-WAY AIR POLLUTION; CAN'T RUN OUR ECONOMIES AT THE HIGH LEVELS OF OUTPUT NEEDED TO OVERCOME JOBLESSNESS; CAN'T STIMULATE PRODUCTIVITY AND FIGHT INFLATION BY FREEING UP TRADE BETWEEN US; CAN'T MAKE OUR ENERGY SYSTEMS MORE TAKE ADVANTAGE OF 200-MILE LIMIT, UNLESS WE DO IT TOGETHER. (COMMENT: MY INSTINCT IS TO KEEP THIS SECTION FAIRLY GENERAL, HARDENED WITH OPERATIONAL SUGGESTION IN EACH CASE IF OUR DISCUSSIONS FROM NOW TO MID-JANUARY PERMIT IT. SUGGEST LIMITING INTERNATIONAL ISSUES TO COMMON DEFENSE, PEACEKEEPING, HUMAN RIGHTS AND ALSO KEEPING THEM VERY GENERAL.)

----- (D) WHAT WE BOTH WANT OUT OF THE RELATIONSHIP: WE WANT TO BE GOOD NEIGHBORS, WHICH IS WHY WE ARE COMMITTED TO CONSULTATION AND ACCOMMODATION, BUT WHY WE SPEAK OUR PIECE

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WHEN WE HAVE TO (AS YOU DID DURING VIETNAM). WE WANT OUR RELATIONSHIP TO BE THE CLOSEST, FULLEST AND RICHEST OF ALL OUR RELATIONSHIPS, BUT WE EACH WISH TO BE HEARD IN THE WORLD WITH OUR OWN VOICE. WE WANT TO HAVE AN OPEN RELATIONSHIP WITH PARTICIPATION BY EACH OF OUR REGIONS AND PEOPLES, RECOGNIZING THAT EACH FEDERAL GOVERNMENT MUST ESTABLISH THE FRAMEWORK FOR OUR EXCHANGES. WE WANT TO BE SURE OUR RELATIONSHIP ENABLES US TO DO THINGS WE COULDN'T OTHERWISE, RATHER THAN MAKING US THE PRISONERS OF OUR COOPERATION, WHICH IS WHY WE CAN BE BOLD IN UNDERTAKING GREAT PROJECTS TOGETHER (SEAWAY, AUTO PACT, NORAD, GREAT LAKES CLEANUP, NOW THE GAS PIPELINE) BUT WHY WE MUST HAVE THE SENSITIVITY TO KEEP ADAPTING OUR ARRANGEMENTS TO CURRENT AND FUTURE NEEDS.

7. SPEECH MIGHT END WITH RECALL OF COMMON ORIGINS OF MANY CANADIANS AND AMERICANS, ESPECIALLY ON PRAIRIES AND NOTE THAT COMMON VALUES THAT SPRING FROM THAT ARE ENDURING. ADD PERSONAL REFERENCES. ENDERS

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